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CENTRAL INTELLIGENCE AGENCY

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1. BELGIAN FOREIGN MINISTER SAYS IT'S TIME TO RECOGNIZE COMMUNIST CHINA

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Belgian foreign minister Spaak told an American embassy official in Brussels on 1 September that "the time has come to recognize the Communist Chinese regime." Later the same day the embassy was informed that Spaak envisaged action on this question within a week to ten days.

Spaak told the embassy official he had already discussed the recognition problem with Prime Minister Van Acker and other cabinet members, but had not yet broached it to other governments. He is convinced, however, that other governments which have not yet recognized Peiping, particularly Canada, are coming to the same conclusion.

Spaak argued that the United States has "in effect extended de facto recognition" through the current talks with the Chinese Communists at Geneva. He added that he has not yet decided on the Belgian position with respect to admitting Communist China to the United Nations. He feels that it might be desirable to establish a UN commission to look into the whole question.

Comment

Several other governments--notably France, Canada, Austria and Egypt--are believed to be considering early recognition.

Belgium is likely to support, along with the British, deferral of a substantive vote on the Chinese representation question at this fall's UN General Assembly. A large number of the UN members who support the eventual admission of Peiping would probably support any Belgian move to establish a UN study commission on the problem.

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3. COMMENT ON THE YUGOSLAV-SOVIET ECONOMIC AGREEMENT

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The Yugoslav-Soviet agreement announced on 1 September at the conclusion of the economic talks in

Moscow provides for the USSR to become Yugoslavia's largest creditor and one of its four principal trading partners. Yugoslavia does not appear to have made any commitments which would subject its economy to Soviet control or require the shipment of critical strategic commodities.

If arrangements under the agreement are put into effect, trade will more than double to a level of \$35,000,000 each way annually for the three years beginning next January. The goods exchanged would be "within the framework of the existing trade agreement" and, therefore, would consist primarily of raw materials. The Soviet Union is interested particularly in bauxite, tobacco, lead and hemp.

The USSR has agreed to grant approximately \$100,000,000 in ten-year credits at 2 percent. Of this total, \$54,000,000 is earmarked for raw materials and \$30,000,000 as a loan in gold or Western currency. These funds are to be drawn within two or three years beginning in January 1956. The rest of the loans are to be in the form of credits for industrial construction.

It appears that this agreement does not reduce Belgrade's dependence on the West for grain. The \$30,000,000 loan, even if spent for wheat on the open market, would buy only about 300-400,000 tons. Yugoslavia claims to need up to 1,000,000 tons to cover its annual needs. [redacted]

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4. NASR SEEKS INVITATION TO VISIT US

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Egyptian foreign minister Fawzi believes it very important that Prime Minister Nasr be invited soon to visit the United States.

Fawzi told Ambassador Byroade on 30 August that the timing of the invitation was more important than the time of the actual visit. He did not explain why he feels an invitation is urgent.

Comment

Fawzi's approach is probably connected mainly with Nasr's domestic political position. There is some indication that Nasr is still uncertain over possible repercussions from the ousting last week of Salah Salim, his principal political opponent. Nasr may feel that an invitation from the United States, like his trip to Bandung in April and the invitation from the USSR last July, would enhance his prestige with the Egyptian public.

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5. GREEK-TURKISH FRICTION OVER CYPRUS THREATENS BALKAN ALLIANCE

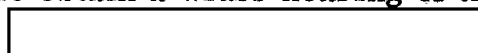
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Greek foreign minister Stephanopoulos has sent word to the American embassy in London, where the Cyprus issue is under discussion, that the Greeks are particularly shocked by a Turkish warning that anyone who suggested a transfer of sovereignty over Cyprus could no longer expect to enjoy the friendship of Turkey. Stephanopoulos' emissary said Greece would do nothing more to further its alliances with Turkey--in NATO and the Balkan pact--since it regards its past efforts as having been in vain.

Comment

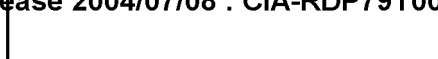
Unless the British can moderate the Turkish attitude or negotiate with the Greeks in spite of Turkish objections, the Greeks will probably walk out of the conference soon after it reconvenes on 6 September. Stephanopoulos would probably prefer to obtain a wider hearing of the Cyprus case in the UN.



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**6. ARGENTINE ARMY ULTIMATUM TO PERON
REPORTED LIKELY**

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The Argentine army "reacted violently" against President Peron's speech of 31 August and is likely to give him an ultimatum within the near future,

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Comment

Peron's 31 August speech, in which he withdrew his earlier offer to resign, and called on his followers to prepare to fight opposition violence with even greater violence, may have led army leaders to reconsider their support of him.

The top military leadership, which holds the dominant power position in the government, has thus far been supporting Peron on the condition that he follow moderate policies. This support of Peron by the army leaders has been strongly disliked in the lower military echelons, particularly in the provinces,

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